

Blue Cross Blue Shield of West Virginia, Inc.

On October 26, 1990, the Insurance Commissioner of the State of West Virginia was appointed Receiver of Blue Cross Blue Shield of West Virginia (BCBS-WV) by Order of the Circuit Court of Kanawha County, West Virginia, and was directed to liquidate and wind-up the affairs of BCBS-WV in accordance with the provisions of the West Virginia Insurance Code and further orders of the Court. The failure of BCBS-WV was the first and only liquidation of a BCBS plan in the United States. No guaranty association coverage was available to the insureds in West Virginia.

When BCBS-WV was placed into liquidation on October 26, 1990, the Estate had a minimal amount of available cash and not enough to cover the payroll for the Plan's over 400 employees or pay utilities or maintain their home office building in Charleston and other offices throughout the State. The Receivership Court entered an "Order Authorizing and Approving Assumption of Certain Liabilities in Exchange for Sale of Certain Assets" on November 26, 1990. This Order authorized Mountain State Blue Cross and Blue Shield, Inc. (MSBCBS) to assume the liability for any claims incurring on or after October 12, 1990 on the BCBS-WV health insurance policies in return for various consideration from BCBS-WV and as contemplated by a project agreement entered into in early October 1990. Mutual Management Company, Inc. (MMC), the holding company for MSBCBS, was to purchase the home office building and furniture and equipment of BCBS-WV at the specified amount of \$7,000,000, maintain the BCBS-WV employees and provide certain administrative services to the Receiver.

In early 1992, the Receiver filed an action with the Receivership Court to force performance of MSBCBS and its parent (MMC) in connection with the Agreement approved on November 14, 1990, and in particular their purchase of the BCBS-WV home office building and furniture and equipment. On February 20, 1992, the Receivership Court approved the sale of the BCBS-WV home office building in Charleston to Business and Industrial Development Corporation of Kanawha Valley (ABIDCO") for \$5,250,000 and the sale of most of the furniture and fixtures of BCBS-WV to Mutual Management Company, Inc. for \$1,750,000. This Court also authorized the Receiver to enter into an agreement with MSBCBS, Mutual Management Company, Inc. and Blue Cross Blue Shield of Ohio that settled most outstanding disputes between the parties. This agreement further provided that MSBCBS would supply certain services and facilities for the balance of BCBS-WV's liquidation. MSBCBS provided minimal services and facilities through December 1992.

The Estate brought and pursued asset recovery actions against the Blue Cross Blue Shield Association, the directors and officers of BCBS-WV, Shearson Lehman Hutton Inc., Highmark BCBS and collected assets due from Blue Cross Blue Shield of the National Capital Area, certain agents of BCBS-WV and others. Assets were also garnered through the sale of BCBS-WV's 14 company automobiles, collection of subrogation recoveries, cash surrender of key life insurance policies for former BCBS-WV officers, the sale of LTV and Benefit Testing stock; dissolution of the BCBS-WV subsidiaries, collection of receivables due those subsidiaries and other matters.

The Estate as unsuccessful in an action brought against the former accounts of BCBS-WV.

Through these efforts and other recoveries to the Estate, by 1999, the Receiver held \$13,495,812.12 of cash balances, all of which had been recovered since the company had been placed into liquidation.

The Receivership Court entered an order on April 2, 1991 to approve the "Application of Receiver to Approve Plan of Liquidation." The Plan of Liquidation set Monday, July 8, 1991 as the final date for filing claims in the liquidation proceedings. 36,718 Proof of Claim forms were mailed to claimants and a total of 21,446 Proofs of Claim were returned before the deadline. An additional 2,708 claims were filed after the filing deadline. In 1992, the Receiver filed an Omnibus Proof of Claim covering the known and unknown claimants of BCBS-WV and such claims were classified as Class VII claimants. On March 9, 1996, West Virginia Code §33-24-27 was amended to change the policyholder creditor class from Class III to Class II.

The Receiver's Provisional Plan of Distribution was filed with the Receivership Court on June 16, 1992. Notices of Determination indicating the Receiver's recommendation as to the amount and/or classification of each claim filed in the Estate were mailed to claimants on June 22, 1992. The claimants were also informed that to the extent that a subscriber had made a payment to a medical provider or hospital, the claimant would be given credit for the payment if sufficient documentation was provided (known as "out-of-pocket" claimants). If the subscriber had not paid the outstanding bill, the subscriber's provider, to the extent that it had filed a Request to Participate in the receivership proceedings, or a timely Proof of Claim, became subrogated to the claim. In return, the provider agreed that it could not bill the subscriber for any outstanding amounts due, excluding any payments that BCBS-WV was not obligated to pay, such as co-payments and deductibles.

In 1992, after the final date established by the Receivership Court for the filing of claims, the United States of America filed an objection with the Receivership Court, claiming that all debts owed to federal government agencies should have a "super priority" over all other claimants in the receivership proceeding, whether or not the United States of America had filed a Proof of Claim. On December 4, 1998, the West Virginia Supreme Court upheld the decision of the Receivership Court and the Receiver's position on the classification of these claims, and remanded issues involving the amount of certain federal government agency claims. During 1999, the United States of America obtained an extension of time from the United States Supreme Court in order to consider filing a writ of certiorari to appeal that West Virginia Supreme Court decision to the United States Supreme Court. After obtaining this extension of time, the United States Department of Justice made a decision not to file an appeal. In a stipulation approved by the Court on September 13, 2000, the claims of the United States of America were all settled as to amount and creditor class.

On June 16, 1993, the Receivership Court adopted Rules of Procedure before Referee for the resolution of disputed claims. A total of 67 objection hearings were held before the Court appointed Referee, and 224 additional objections were resolved by agreement between the claimant and the Receiver. In addition to the objection of the United States of America, other objection hearings involving significant amounts to the Estate were held on the claims of Blue Cross of Western Pennsylvania, Pennsylvania Blue Shield and the United Mine Workers of America.

In January 1997, the Receivership Court adopted the recommendation of the Referee as to the claims of Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield. On December 4, 1998, the West Virginia Supreme Court issued its opinion affirming in part, reversing in part and remanding the case to the Receivership Court. During 2000, the remanded claims of Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield against the Estate and the Receiver's claim against Blue Cross of Western Pennsylvania were settled. The Estate received \$452,500 and the claimants received approved general creditor claims against the Estate.

In August 2000, the Receiver filed a Motion to Approve Plan for Interim Distribution involving the \$21,322,748.15 approved Class II claims in the Estate. On October 27, 2000, the Estate made an interim and partial distribution of \$10,661,374.08, equating to a 50% distribution to all subscriber and health care provider Class II claimants.

The United Mine Workers of America claim, and those of the Receiver claiming a voidable preference as to the United Mine Workers of America, were fully briefed by 1998. In October 2003, the Referee issued his recommendations on the UMWA claim and the Receiver's preference action against the UMWA. The Receiver and the UMWA filed exceptions to the Referee's recommendations. On May 10, 2005, The Receivership Court adopted the recommendation of the Referee and final orders were entered. On August 17, 2005, UMWA notified their intent to appeal this Receivership Court Order to the West Virginia Supreme Court of Appeals. This matter was briefed and oral arguments were held in September 2006.

On October 5, 2006, the West Virginia Supreme Court of Appeals issued their opinion on the UMWA's appeal of the Receivership Court's May 10, 2005 Final Order. The Supreme Court reversed the judgment in the Receivership Court's May 10, 2005 Order and remanded the case for entry of an order granting UMWA summary judgment.

On December 11, 2006, the Receivership Court entered an "Order Granting Motion of UMWA for Summary Judgment and Directing Payment of UMWA Trust and Interest" in compliance with West Virginia Supreme Court of Appeals' decision entered October 6, 2006. This order directed the BCBS-WV Receiver to pay UMWA \$1,593,536.74 (\$858,136.66 in principal and \$735,400.08 in interest) and this amount was paid UMWA in a check dated December 19, 2006. This payment settled the last outstanding claim objection filed against the Estate.

Due to the length of time involved since the first partial distribution in the BCBS-WV Estate, from 2006 through mid 2008, the Receiver's office made a diligent effort to (1) locate updated addresses for all out-of-pocket claimants that would receive a second and final distribution in the Estate and (2) to locate current addresses for all claimants whose checks had been returned from the first distribution due to a bad address and reissue those checks.

On September 23, 2008, the Receivership Court approved a second and final distribution of \$1,646,844.71 to out-of-pocket subscriber claimants and \$27,267.50 due certain federal government agencies (Champus and VA Hospitals). The checks were mailed to 11,853 claimants and the federal government agencies in October 2008, giving the payee 90 days to cash their checks.

The September 23, 2008 Receivership Court Order also provided for the closing of the BCBS-WV Estate. All checks that were not cashed within 90 days were escheated to the West Virginia State Treasurer.

Final tax returns were filed in 2009.

Questions and Answers:

Question: Can I have an old BCBS-WV (outdated or account closed) check reissued?

All checks of the BCBS-WV Estate that were issued and remained uncashed after 90 days have been escheated to the West Virginia State Treasurer as unclaimed property. If a party believes they were due money from the BCBS-WV Estate and never received and cashed (or lost) their check, then they should contact the West Virginia State Treasurer (see <http://www.wvsto.com>).

A number of heirs or relatives of BCBS-WV subscribers contacted the Receiver's Office after receiving the final distribution check. Under most scenarios, no estate had been opened for the deceased subscriber, so the heir or relative did not have any appropriate documentation to prove their authority to have the checks reissued to their name. The BCBS-WV Estate required the same type of documentation that would be required by the West Virginia State Treasurer's Office to release the funds. If appropriate documentation was not submitted, the funds for the deceased subscriber was escheated with the West Virginia State Treasurer's Office.